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Agenda item 2

Draft of terms of reference
Ad hoc Working Group on Investment and Financial Flows;
Non-debt Creating Finance for Development; New Mechanisms for Increasing Investment and Financial Flows

Agreed text submitted by the Chairman of Drafting Group A

1. To examine issues, developments and policies in the fields of non-debt creating finance for development and new mechanisms for increasing investment and financial flows for development.

2. To examine country experiences in attracting investment flows and non-debt creating finance for development, in order to identify positive factors as well as major impediments to investment and financial flows. In that respect:

(a) To consider policies that would improve the climate for investment through fostering macro-economic stability and structural reforms, adequate legal protection of investment, market liberalization, regulatory frameworks for foreign investment and direct incentives.

(b) To consider measures for attracting investment such as international investment protection arrangements, bilateral investment and double taxation treaties, as well as innovative incentives and promotional measures that could be adopted by developed countries and multilateral financial institutions.

(c) To review different approaches to promote investment-related financial flows including, inter alia, debt swap programmes, foreign portfolio investment and export processing zones.

(d) To identify policies and measures which could contribute to the return of flight capital.

(e) To examine the role and possible improvement of ODA in promoting/supporting domestic investment efforts.

3. To explore new mechanisms aimed at increasing investment and financial flows involving equity and non equity-based finance and other market-based instruments.

In general provisions:

"E. The work of the Ad Hoc Working Group should complement that of other international bodies, particularly the Group of 24, the Development Committee and the Development Assistance Committee of the Organisation for Economic Cooperation and Development, while seeking to ensure that no duplication occurs."